



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #555

Information Technology Projects (Safety and Professional Services -- Departmentwide)

[LFB 2017-19 Budget Summary: Page 395, #7]

CURRENT LAW

The Department of Safety and Professional Services (DSPS) regulates health and business professions previously regulated by the Department of Regulation and Licensing before 2011, and building and safety trade professions previously regulated by the Department of Commerce before 2011. DSPS is funded almost entirely from program revenues (PR), primarily collected from fees for credentials, examinations, building plan reviews, and inspections of construction activity. For state budgeting purposes, program revenues received from the regulation of health and non-building trades professions are tracked separately from the fees collected from the trades professions and building inspection and plan review activities.

DSPS received one-time funding for information technology (IT) improvement projects during the prior two biennia. In the subsequent biennial budget, standard budget adjustments removed one-time funding as a non-continuing element. One-time funding was provided in the following years and amounts: \$744,100 in 2013-14, \$728,900 in 2014-15, \$727,500 in 2015-16 and \$727,500 in 2016-17. Funding was provided from both DSPS programs.

GOVERNOR

Provide \$2,200,000 PR annually in one-time funding for information technology improvement projects in the Division of Industry Services. The funding would be used to replace the inspection and plan review IT systems. All of the funding would be provided from the Division of Industry Services safety and buildings operations program revenue appropriation. (Standard budget adjustments removed \$727,500 PR annually in one-time funding as a non-continuing element.)

DISCUSSION POINTS

1. The \$2.2 million annually proposed to be provided during 2017-19 (\$4.4 million total) would be used to replace the "regulated objects" system for the Division of Industry Services. This is a 20-year old software application used for commercial building inspection permits and plan review by the Division. "Regulated objects" refers to specifically-located objects such as buildings, elevators, and boilers subject to the permitting requirements administered by the Division. DSPTS indicates the current system is becoming difficult to support and maintain from a technical and staffing standpoint, exists on six separate technology platforms, houses data in different ways, and makes communication between the separate systems difficult.

2. The new information technology system would be similar to platforms used in a small number of other states, be cloud-based, and provide mobile inspection applications to field staff. It would also provide an interactive portal where staff and regulated entities could submit inspection data and check the status of inspections and requests for approvals, and the public could submit complaints. DSPTS indicates that the system would have subscription-based licensing that could be increased or decreased as the Department's needs change, and could be updated more frequently than the current system. DSPTS plans to incorporate in-field data entry to obtain on-site signatures, provide on-site issuance of inspection reports and construction permits, allow quicker approval of building permits, provide quicker updates to a centralized database, and reduce the amount of time spent scanning or filing documents.

3. The administration indicates that the new Division of Industry Services system would be modular, which would allow four additional systems to be added after 2017-19, including professional license credentialing, trade license credentialing, online payment, and reporting of time and activities. The proposed Industry Services IT system would not be compatible with the existing DSPTS system for non-trades professional licensing. Future upgrades to the non-trades professional licensing system would be needed after 2017-19 to make it compatible with the proposed Industry Services IT system.

4. In 2015 and 2016, DSPTS and the Department of Administration Division of Enterprise Technology (DOA-DET) developed an information technology strategic plan for DSPTS. A team of staff from DSPTS and DOA-DET identified strategies to modernize IT systems in DSPTS during a four-year period. The plan recommended a first priority be given to replacing the regulated objects IT system in the Division of Industry Services.

5. DSPTS indicates that its September, 2016, biennial budget request for 2017-19 did not include a request for information technology funding because, at the time, DSPTS was still determining how to fund the project. Given that DSPTS had just completed a two-year process of developing an IT strategic plan, it would have been consistent with the budgets of the prior two biennia for DSPTS to have requested operations PR funding for additional IT projects.

6. The proposed funding would be provided from the program revenue appropriation which funds almost all of the general operations of the Division of Industry Services. Most of the revenues are received from several categories of plan review and inspections for several types of building construction and components. Under the bill, the appropriation would be authorized

\$16,715,700 PR in 2017-18 and \$16,783,400 PR in 2018-19 with 114.64 positions. The following table provides information regarding revenues and expenditures in 2015-16 through 2018-19 for the Industry Services appropriation. It is anticipated that the appropriation will have an estimated June 30, 2019, closing balance of \$6.95 million. Thus, it is expected that the appropriation will have a sufficient balance to pay for the funding proposed under the bill.

**DSPS Division of Industry Services, Regulation of Building Trades Professions,
Program Revenues and Expenditures, 2015-16 through 2018-19**

	2015-16 <u>Actual</u>	2016-17 <u>Estimated</u>	2017-18 <u>Bill</u>	2018-19 <u>Bill</u>
Opening Balance, July 1	\$8,421,600	\$8,666,200	\$9,137,200	\$8,066,700
Revenue				
Building plan reviews and inspections	\$6,636,700	\$6,600,000	\$6,500,000	\$6,600,000
Plumbing licenses	793,100	776,000	1,300,000	700,000
Plumbing plan reviews	1,590,800	1,800,000	1,700,000	1,900,000
Boiler inspections	1,566,800	1,500,000	1,500,000	1,600,000
Elevator inspections	1,259,800	1,400,000	1,400,000	1,500,000
Private sewage plan reviews and septic tank permits	1,363,600	1,625,000	1,325,000	1,625,000
One- and two-family building permit fees	887,200	900,000	900,000	950,000
Electrical program fees	856,200	900,000	900,000	1,000,000
Weatherization fees *	176,500	160,000	0	0
Other revenues **	<u>1,694,200</u>	<u>1,139,000</u>	<u>1,200,300</u>	<u>1,150,300</u>
Total Revenue	\$16,824,900	\$16,800,000	\$16,725,300	\$17,025,300
Less transfer to private onsite wastewater system grant program	-\$1,645,000	-\$840,000	-\$840,000	-\$840,000
Total Available	\$23,601,500	\$24,626,200	\$25,022,500	\$24,252,000
Expenditures				
Program expenditures	\$13,146,300	\$13,700,000	\$16,715,700	\$16,783,400
Compensation and health insurance reserves	0	0	240,100	518,400
Transfer to general fund under budget act requirements	<u>1,789,000</u>	<u>1,789,000</u>	<u>0</u>	<u>0</u>
Total Expenditures and Transfers	\$14,935,300	\$15,489,000	\$16,955,800	\$17,301,800
Closing Balance, June 30	\$8,666,200	\$9,137,200	\$8,066,700	\$6,950,200

* The bill would delete the rental unit weatherization program, as discussed in a separate budget paper.

** Includes manufactured home; amusement ride; ski tow; mine safety; heating, ventilation, and air conditioning; swimming pool; and other smaller fees.

7. The administration developed the \$2.2 million annual recommendation (two-year total of \$4.4 million) included in the budget bill by analyzing estimates provided to DSPS and DOA-DET by a few potential contract vendors. The estimates ranged from \$3.5 million to \$6.5 million to be spent over time periods ranging between 18 months to three years, depending on the estimate.

8. DSPS indicates that the requested \$2.2 million annual amount would include approximately \$600,000 of expenditures for software licensing, and the remaining \$1.6 million would be spent on implementation and training costs. The Department indicates that it does not currently have additional detail about what specific cost components would be included in the proposed \$2.2 million annual amount and that detail about the components of the \$2.2 million annual expenditures will be developed during the coming months. During May through August, 2017, DOA-DET is hiring a contractor to develop a "solution architecture" to create a statement of work for the larger DSPS IT project. The work of the contractor is intended to provide information about costs, project components, timelines, and priorities.

9. DSPS indicates that the entire \$2.2 million annual requested amount is needed to replace all of the regulated objects IT system. However, the Department is unable to provide information about which components or costs of the IT project represent the highest priority. The Department states that any amount less than \$2.2 million would mean DSPS would have to complete the project in smaller increments, retain connections to the current system while building the new system, and spend more money while operating a less efficient IT system. Finally, the Department believes that the total amount of the request is needed to ensure complete replacement of the Industry Services system, and partial funding would not be conducive for modernization of the current aging system. If the Committee wishes to provide the full amount of funding requested, based on the general information provided by DSPS and DOA, the Committee could approve the Governor's recommendation [Alternative 1].

10. The \$2.2 million annual amount proposed under the bill is an estimate of need for replacement of the Division of Industry Services regulated objects IT system. It is possible that actual costs will vary, depending on actual contractor bids, timelines, and project components. It can be noted that the funding request is three times larger than the annual amount of one-time IT funding provided in each of the prior four years.

11. DSPS plans to spend all other funding authorized under the Industry Services operations appropriation. However, the Department indicates that as of March, 2017, it has no plans to fill 4.0 vacant positions funded from the appropriation. Annual salary and fringe costs for the 4.0 positions total approximately \$248,000. The 4.0 positions include an elevator inspector, plumbing consultant, electrical systems consultant, and boiler inspector. In addition, DSPS indicates it is analyzing business needs to determine whether it will fill 5.0 other vacant positions funded from the appropriation, with annual salary and fringe costs of approximately \$295,000. Finally, an additional 15.0 vacant positions are in early stages of recruitment, with annualized cost savings of approximately \$1,090,000 until the positions are filled. Separate budget items provide a standard salary reduction of 3% for expected turnover in vacant positions, and additional turnover in the Division, for anticipated salary reductions due to vacancies totaling \$294,300 annually. It is possible that current actual and planned vacancies could allow the Department to generate additional cost

savings that it could reallocate to be used for IT projects or other authorized purposes of the Division.

12. Given the lack of information provided by DSPS or DOA about the specific costs, components, and priorities of the proposed IT funding, the Committee could consider providing less funding than proposed under the bill. For example, \$750,000 PR could be provided in each year to provide a total of \$1,500,000 during the 2017-19 biennium [Alternative 2]. This would provide a funding amount at a similar level provided during each of the previous four years for information technology improvement projects.

13. Deletion of \$900,000 PR in 2018-19 would provide \$3.5 million for information technology improvement projects during the 2017-19 biennium. This funding level would be within the range of cost estimates provided by potential contractors [Alternative 3].

14. Whether or not the Committee chooses to provide additional funding for informational technology projects for the Division of Industry Services, it could consider providing a long-term offset of some of the increase in expenditure authority by deleting \$248,000 PR annually with the 4.0 positions that DSPS plans to hold vacant for an indefinite period of time [Alternative 5]. If the IT projects generate expected program efficiencies, it is possible that number of positions would not be needed in future biennia. In addition, if future IT funding requests are anticipated for biennia after 2017-19, it may be desirable to allocate expenditure authority for IT projects rather than for vacant positions that may not be needed.

15. It could be argued that DSPS should prioritize its IT needs through using existing resources instead of providing additional funding. Further, the Department could wait to request funding, including through a 14-day passive review by the Committee under s. 16.515 of the statutes, after it has more specific information about the costs of the project. Therefore, the Committee could delete the provision and maintain current law funding levels [Alternative 4].

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$2,200,000 PR annually on a one-time basis during the 2017-19 biennium for information technology improvements in the Division of Industry Services. Funding would be provided from the Industry Services safety and buildings operations appropriation.

ALT 1	Change to	
	Base	Bill
PR	\$4,400,000	\$0

2. Modify the provision to provide \$750,000 PR in 2017-18 and \$750,000 PR in 2018-19, on a one-time basis, during the 2017-19 biennium.

ALT 2	Change to	
	Base	Bill
PR	\$1,500,000	- \$2,900,000

3. Modify the provision to provide \$2,200,000 PR in 2017-18 and \$1,300,000 PR in 2018-19, on a one-time basis during the 2017-19 biennium.

ALT 3	Change to	
	Base	Bill
PR	\$3,500,000	- \$900,000

4. Maintain current law.

ALT 4	Change to	
	Base	Bill
PR	\$0	- \$4,400,000

5. In addition to any of the above alternatives, delete \$248,000 PR annually with 4.0 PR positions in the Division of Industry Services safety and buildings operations appropriation.

ALT 5	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	-\$496,000	- 4.00	-\$496,000	- 4.00

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